

CAMBODIA: WTO Entry Far From Being Rosy

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BANGKOK, Sep 22 (IPS) - Cambodia's entry as a full member of the World Trade Organisation (WTO) tests the groundwork on whether poor countries in the world would be better off or worse by becoming new members of the global free trade body.

This South-east Asian country is days away from becoming the 148th member of the Geneva-based WTO after Cambodia's Senate followed the National Assembly in ratifying the country's entry this month.

Under the admission rules of the WTO, a country becomes a full member 30 days after its national legislature approves entry into the Geneva-based trade organisation, whose rules cover about 90 percent of global trade.

But as Phnom Penh prepares for this new chapter, it is up against a slew of WTO-imposed requirements that some analysts say weigh heavily on one of the world's most poorest countries.

Fellow Asian nation Nepal, too, is in the same league, following the decision at the WTO meeting in the Mexican seaside resort of Cancun last September to approve its application.

This opening marked the first time that the WTO was letting nations that belong to the Least Developed Countries (LDC) group to join it, since the WTO was created in 1995.

The Asia-Pacific region has close to 20 LDCs that have still to join the WTO, including Vietnam and Samoa.

But Cambodia's entry, which marks the end of a nearly 10-year quest to be in the free trade body, serves as a pointer to those LDCs waiting in the wings to hop on board this bandwagon.

Phnom Penh, like Kathmandu, was asked to conform to a new and tougher set of conditions as part of their WTO membership bid in order to create a free-trade environment - unlike other members since 1995.

"Cambodia will face a tough test after it becomes a WTO member because of the conditions being placed on it in areas like agriculture production," Sok Hach, director of the Economic Institute of Cambodia, a Phnom Penh-based independent think-tank, said in an interview.

"Psychologically it will be a challenge for Cambodia to meet the requirements of these trade rules," he added.

Under agriculture, new LDC members have been given shorter time to conform to the WTO's conditions and cannot benefit from tariffs and subsidies unlike other developing countries who are already members.

Thus Cambodia, for instance, will not be allowed to subsidise its agriculture sector while other developing country members will have till 2015 to phase out their subsidies.

Its disadvantage is amplified when set against the language of tariff barriers that countries resort to in order to protect their domestic agriculture sector from imports.

So Cambodia, where close to 80 percent of its 11.7 million population is employed in agriculture, can only set a maximum tariff of 60 percent, while the European Union imposes a 252 percent tariff barrier to protect its agriculture sector and the United States has a 120 percent tariff wall.

The country's farmers also stand to lose due to the conditions being placed under the Trade Related Aspects of Intellectual Property Rights (TRIPS), where Cambodia has to conform by 2007 despite the WTO's Doha Development Agenda giving LDCs till 2015 to comply with TRIPS.

After 2007, farmers who used plant varieties that were produced by private companies will not be able to save seeds for a new planting season or exchange them with other farmers, Francis Perez, trade policy advisor at the Asia division of Oxfam, the British development agency, explained in an interview.

"The farmers will have to buy new seeds for every planting season," he told IPS.

The country's nearly 200,000 people living with HIV/AIDS may also feel the impact of TRIPS far earlier than some public health activists had expected, since Cambodia only has till 2007, and not 2015, to introduce laws that protect drugs produced by the pharmaceutical giants.

It would make it increasingly difficult for Cambodia to gain access to cheap anti-AIDS generic drugs, which have kept alive its HIV-afflicted people.

Despite this reality, the Cambodian government is choosing to play up the significance of its WTO membership, given the economic benefits it sees coming the country's way to boost the lucrative garment sector.

The Ministry of Commerce states that WTO membership will give the country a chance of increasing its sales to the apparel markets in the developed world.

Currently, the garment industry contributes to four-fifths of Cambodia's total exports, valued at 1.4 billion U.S. dollars annually. This sector employs nearly 240,000 people and the ministry estimates that nearly one million people have benefited indirectly.

Phnom Penh is also placing faith in new investments being directed its way after it becomes a WTO member. To ensure such a climate, the Cambodian government will have to adopt 40 new laws within the next three years.

"Cambodia stands to improve by these changes, particularly if the government is committed to improve the laws to attract investment," said Sok, the economist.

Other analysts are hoping that such a commitment would also help get rid of the country's record of rampant corruption and lack of transparency, a fact that was highlighted in a World Bank report released in August.

"Unofficial payments are a large component of the cost of doing business" in Cambodia, the Bank charged.